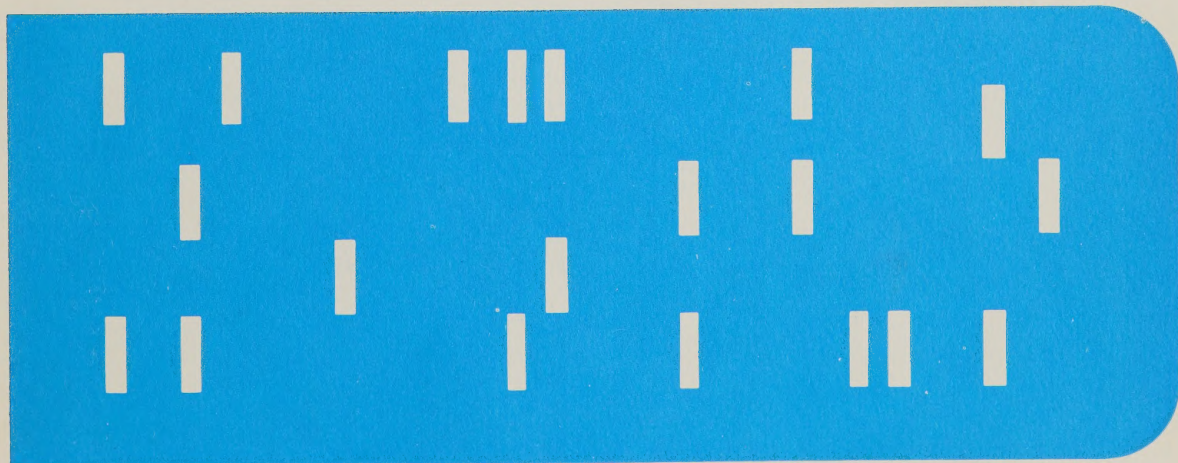



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DOING BUSINESS IN CANADA

FEDERAL INCENTIVES TO INDUSTRY





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DOING BUSINESS IN CANADA

FEDERAL INCENTIVES TO INDUSTRY



Government
of Canada

Gouvernement
du Canada

Industry, Trade
and Commerce

Industrie
et Commerce

FOREWORD

This booklet deals with major federal government incentives available to industrial organizations in Canada. It is intended as a guide in this field and, as such, refers only to the basic provisions involved. Accordingly, industrial organizations proposing to take advantage of any of these incentive measures are advised to contact the appropriate authorities referred to in the text.

Every effort has been made to accurately reflect the legislation in force at the time of preparing this material.

Other publications available from the "Doing Business in Canada" series are:

- The Business Environment
- Forms of Business Organization
- Canadian Customs Duties
- Taxation — Income, Business, Property
- Taxation — Sales, Excise, Commodity
- Labour Legislation
- Construction and Equipment Standards
- Patents, Trade Marks, Industrial Designs and Copyrights

Also available:

- Financing Canadian Industries

Further information is available from:

- The Business Centre
- Department of Industry, Trade and Commerce
- 235 Queen Street
- Ottawa, Ontario K1A 0H5
- Tel: 995-5771 (Area Code 613)
- Telex: 053-4123
- Long Distance: ZENITH 0-3200

Revised 1978

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INTRODUCTION

The Canadian economy is becoming increasingly characterized by a broad population base, expansion of the domestic market, urbanization, and diversified production facilities. In effect, Canada has undergone a modern industrial revolution in which advanced technology, modern transportation facilities and a highly skilled and flexible labour force are combined in an expanding market with a factory based system of specialized production to serve it. These basic structural changes have decisively committed the Canadian economy to an industrial future.

The encouragement of industrial expansion has always been of major concern to Canada. In its efforts to ensure continued sound industrial growth, the Canadian government is aware that an attractive investment climate must, on occasion, be complemented by positive incentive measures

geared to the needs of industry and to the requirements for a maximum rate of growth on the basis of available resources.

This chapter of the *Doing Business in Canada* series is intended only to highlight the major industrial development incentives available at the federal level.

It is generally advisable to contact officials of the appropriate agency before preparing an application for assistance under any of the programs described in this booklet. In this way applicants are ensured of having the most recent information on the program and on application procedures. In the case of programs of the Department of Industry, Trade and Commerce, enquirers may obtain further information from any of its regional offices (see Appendix A) or from the addresses given in the text.

INCENTIVES FOR REGIONAL DEVELOPMENT

Although there is a continuing positive rate of national economic growth in Canada, the economy tends to operate with large regional variations. Some regions have lagged seriously behind the rest of the economy. The federal Department of Regional Economic Expansion (DREE) was established to stimulate increased economic activity, industrial expansion and new employment opportunities in these areas. Incentive grants or loan guarantees are available to companies which establish new manufacturing or processing facilities or expand or modernize existing plants in designated regions and special areas. In addition, loan guarantees are available for certain types of facilities providing commercial services.

Types of Assistance

There are three basic types of incentives available: development incentives, loan guarantees and investment tax credits.

Development incentives include the following:

- 1) Development grant (non-repayable)
- 2) Repayable development incentive
- 3) Provisional development incentive (repayable if the project achieves a certain level of profitability or other objectives agreed to in advance).

These development incentives are available individually or in combination. They may also be combined with guarantees on loans from private lenders.

Development incentive payments are exempt from income tax. For capital cost allowance purposes, however, the value of the assets must be decreased by the amount of the development incentive.

Investment tax credits are available on most investments in machinery, equipment and buildings for manufacturing and processing up to June 30, 1980. While the general level of five per cent is available throughout Canada, higher rates are available in the designated regions as follows: 10 per cent in the four Atlantic Provinces and in the Gaspé Region in Quebec, and 7½ per cent in all other designated regions. This incentive is available irrespective of eligibility for a development incentive or loan guarantee.

Designated Regions and Montreal Special Area

Development incentives and loan guarantees are available in regions designated under the authority of the Regional Development Incentives Act. The Montreal Special Area is designated under the authority of the Department of Regional Economic Expansion Act.

The regions and area designated as of July 7, 1977, include all of the Provinces of Newfoundland, Nova Scotia, Prince Edward Island, New Brunswick, Manitoba and Saskatchewan, the northern parts of Alberta and British Columbia, the Northwest Territories, all of the Province of

Quebec except the Hull-West Lachute corridor, and all of the Province of Ontario lying north of the southern boundaries of the districts of Nipissing and Parry Sound and including Pembroke and Renfrew.

The Special Area of Montreal is designated until June 30, 1980 while the other regions are designated until December 31, 1981.

Eligible Industries

Most manufacturing and processing industries are eligible for development incentives and loan guarantees.

The major exceptions are petroleum refining, certain parts of the pulp and paper industry, mining, and the growing, harvesting or extracting of natural products. However, the processing of natural products in such operations as sawmills, fertilizer plants, fish plants or other food processing establishments qualifies under the program.

Amount of Incentive

The amount of the development incentive depends mainly upon the type of project and its size in terms of capital costs and jobs created, but may not exceed the established ceilings. Details on the maximum levels may be obtained from the Department of Regional Economic Expansion.

Three categories have been created. The first two (Sizes A and B) have standard formulas for development incentive calculations, subject to checks for viability, need and economic benefits. Size C projects, which do not involve a standard formula, require a complete evaluation prior to establishing the level of the incentive.

The definitions of the three categories are as follows:

Size A — projects with approved capital costs (ACC) of less than \$200,000 and fewer than 40 jobs.

Size B — projects other than Size A cases with less than \$1.5 million ACC and fewer than 100 jobs.

Size C — projects with at least \$1.5 million ACC or at least 100 jobs.

Thus a \$150,000 ACC project creating 45 jobs would be Size B, while a \$1,000,000 ACC project with 110 jobs would be Size C.

The **standard formulas** for Size A and B projects are given below. They are based on percentages of approved capital costs (ACC) and the average of the approved capital costs (ACC) and the average of the approved annual wages and salaries (W&S) paid during the second and third years after the commencement of commercial

production. Definitions of approved capital costs and approved wages and salaries are available from the Department of Regional Economic Expansion.

a) New Facility or New Product Expansions

1) Size A projects:

- i) Atlantic Region — 25% ACC & 30% W&S
- ii) Other Regions — 25% ACC & 15% W&S

2) Size B projects:

- i) Atlantic Region — 25% ACC & 30% W&S
- ii) Other Regions — 25% ACC & 15% W&S

b) Modernizations or Volume Expansions, Sizes A and B

- i) Atlantic Region — 20% ACC
- ii) Other Regions — 20% ACC

The full evaluation for Size C projects includes examination of the basic eligibility criteria, the financial need, the economic impact, and project viability. The recommendation by departmental officials is reviewed by an Incentives Advisory Board prior to being referred to the Minister of Regional Economic Expansion for decision.

Minimum Investment

The approved capital costs for new facilities, for new product expansions, for volume expansions and for modernizations must be at least \$25,000. However, if a new facility or new product expansion has capital costs commensurate with the nature of the undertaking, but in no case less than \$5,000, an offer can be made if at least **five** direct jobs are created in the operation.

Equity

Normally, the applicant must provide equity equal to at least 20 per cent of the total capital employed in the project. For expansions and modernizations, the equity must be equal to at least 20 per cent of the capital to be employed and 20 per cent of the book value of other assets of the facility at the time of application. The equity requirements may be increased for high risk or sensitive projects.

Other Conditions

- (1) Applications for incentives must be received while the project is in the planning stage, **before** any contractual commitments are made for buildings, machinery or equipment. No incentive can be paid in respect of a project committed before an application is received.

- (2) The applicant must certify that a development incentive is a significant factor in his decision to proceed with the project.
- (3) The applicant, and firms subject to control in common with the applicant, must normally continue to operate other Canadian facilities manufacturing similar products at the same level or a higher level than at the time of applying for the incentive.
- (4) The applicant must co-operate with Canada Manpower Centres in the recruitment and training of personnel, and must undertake to employ, to the maximum extent practicable, residents of the region in which the facility is located.
- (5) There must be satisfactory control of pollution.
- (6) The applicant must give manufacturers in Canada a reasonable opportunity to supply, competitively, the machinery and equipment for the project and give consultants in Canada a reasonable opportunity to bid on contracts relating to the project.
- (7) Applicants have 90 days from the date of an offer of a development incentive to accept it.
- (8) Incentives can be provided only for facilities that will be brought into commercial production before December 31, 1981.

Montreal Special Area

The Montreal Special Area is designated under Section 6 of the Department of Regional Economic Expansion Act.

The area includes Metropolitan Montreal, and extends north to include Saint-Jovite, Saint-Donat, and Joliette, east to include Sorel, Saint-Hyacinthe and Granby, and south to include Saint-Jean and Valleyfield.

The selected industries which may qualify for incentives include: metal fabricating, machinery, transportation equipment, electrical products, chemicals, quick-frozen and prepared foods, sporting goods and toys, and scientific and professional equipment. The maximum amounts of incentives available for some types of facilities are lower than those specified elsewhere in this booklet.

The minimum level of investment required to qualify for an incentive within the Special Area is \$100,000.

Loan Guarantees

The Department of Regional Economic Expansion does not make loans. The applicant is responsible for finding sources of loan financing for his project from among the commercial lending institutions. However, if he is unable to borrow as much as he needs, on reasonable terms, the Department may improve the security available to the lender by guaranteeing part of the loan. The only purpose of a guarantee is to increase the amount of the loan.

Firms wishing to take advantage of these incentives and other services are encouraged to contact the nearest local office of the Department of Regional Economic Expansion listed in Appendix B or write to:

The Industrial Incentives Branch
Department of Regional Economic Expansion
Ottawa, Ontario
K1A 0M4

RESEARCH AND DEVELOPMENT INCENTIVES

Introduction

Industrial research and development is encouraged generally with income tax allowances and by two programs administered by the federal Department of Industry, Trade and Commerce and one program of the National Research Council. The intent is, to the extent that it is practicable, to extend financial support to all worthwhile research and development projects.

Income Tax Allowances

Under Section 37 of the federal Income Tax

Act a corporation may deduct from its income all expenditures of a current nature made in Canada for scientific research and all expenditures of a capital nature made in Canada (for the acquisition of property other than land) for scientific research in the year in which they were incurred.

For purposes of this measure, scientific research means a systematic investigation or search by means of experimentation or analysis in the field of science to acquire new knowledge; to devise and develop new products and processes; or to apply newly acquired knowledge in making

improvements to existing products or processes. In some cases, expenditures to develop, test and evaluate a prototype are considered as scientific research expenditures. However, expenditures for purposes such as market research, sales promotion, quality control or preparation of specifications are not recognized as eligible expenditures.

Any current or capital expenditures in respect

of scientific research made in Canada after March 31, 1977 and before July 1, 1980 will qualify for an investment tax credit of five per cent, 7½ or 10 per cent of the amount expended, depending on the region of Canada in which the scientific research is carried out. Any investment tax credit claimed reduces the cost of related assets or the amount of related expenses for tax purposes.

THE INDUSTRY ENERGY RESEARCH AND DEVELOPMENT PROGRAM (IERD)

The Industry Energy Research and Development Program is designed to encourage research and development of new and improved processes and equipment which will reduce energy consumption in industry and ensure the widest possible use of this technology. The program provides funds of up to 50 per cent of the total estimated cost of approved projects. All Canadian companies, consulting firms, and trade and research associations are eligible for assistance.

Industry accounts for 30 per cent of total energy consumption in Canada and therefore will be expected to make a significant contribution to the country's energy objectives. The program will encourage more research and development which

is necessary to realize new energy-efficient technologies and processes to help achieve these objectives.

The program is administered by the federal Department of Industry, Trade and Commerce. It is part of a larger joint industry/government conservation program co-ordinated by the federal Department of Energy, Mines and Resources.

Further information on the new program is available from the Department of Industry, Trade and Commerce regional offices across Canada (see Appendix A), or from the Programs Branch, Department of Industry, Trade and Commerce, Ottawa, Ontario K1A 0H5.

INDUSTRIAL RESEARCH ASSISTANCE PROGRAM (IRAP)

This program was established by the federal government to encourage applied research by Canadian industry. It is administered by the National Research Council (NRC).

The objective of IRAP is to increase the calibre and scope of industrial research in Canada in situations where it leads to high business effectiveness with economic benefits to Canada.

All companies incorporated in Canada and engaged in activities based to a significant extent on technology derived from the physical and life sciences, and engineering, are eligible for consideration. Companies unable to exploit their research results through Canadian facilities or with significantly restricted access to realistic export markets are ineligible.

Projects must be scientifically feasible, commercially realistic to the applicant company and have in view marketable end-products or processes for which a need or an opportunity is foreseen, and for which an accessible market sufficient to justify exploitation in Canada is anticipated.

The initiative in project selection rests entirely with the company. The NRC Committee on Industrial Research Assistance assesses the proposed project on its scientific merits and the capabilities of the company and its staff. Cost of an approved project is shared on the basis of approximately equal contributions by NRC and the company. The IRAP grant applies toward payment of salaries of professionals and technicians directly employed on the project. The participating company is responsible for the balance of funding. All titles and rights of the research results are retained by the company subject to conditions set forth in a booklet "Information for Applicants" available from:

The Program Secretary
NRC Committee on Industrial Research
Assistance
National Research Council Canada
100 Sussex Drive
Ottawa, Ontario
K1A 0R6

DEFENCE INDUSTRY PRODUCTIVITY PROGRAM (DIP)

The Defence Industry Productivity Program combines the former Industry Modernization for Defence Exports Program and the Defence Development Sharing Program.

The program is designed to enhance the technological competence of the Canadian defence industry in its export activities by providing financial assistance to industrial firms for selected projects. Assistance may cover the development of products for export purposes; the acquisition of modern machine tools and other advanced manufacturing equipment to meet exacting military standards; and assistance with pre-production expenses to establish manufacturing sources in Canada for export markets.

Projects initiated under this program have played a major role in helping industry to develop its skills on a specialized basis in fields of technology which have defence and civil applications. Costs of these projects are shared by the

Department of Industry, Trade and Commerce and the Canadian firm concerned and, in some instances, by the governments of other NATO countries. Manufacturing equipment projects are eligible for assistance only if the machinery to be acquired will make a significant contribution to increased productivity. Generally, this means that the machinery is the most advanced of its type, such as numerically controlled metal working equipment.

For further details on the Defence Industry Productivity Program, interested companies should write to:

Defence Industry Productivity Program
Programs Branch,
Department of Industry, Trade and
Commerce
Ottawa, Ontario
K1A 0H5

THE ENTERPRISE DEVELOPMENT PROGRAM (EDP)

The Enterprise Development Program is intended to help smaller and medium-sized companies become more viable and internationally competitive. Its decentralized administration and decision making makes the program more accessible to smaller and medium-sized businesses. The program is designed for eligible firms undertaking relatively high risk innovative or adjustment projects that can be expected to yield attractive rates of return on the total investment. This in turn aids the growth in manufacturing and processing sectors, thus improving the Canadian economy.

The Enterprise Development Program is administered by a Central Enterprise Development Board and by Regional Enterprise Development Boards in each province.

Forms of Assistance

There are two primary methods by which the Enterprise Development Program is available to a firm:

- 1) through sharing of project costs or
- 2) by providing insurance for a term loan to finance the project.

For the typical shared cost project, the Enterprise Development Program can make a contribution of up to 50 per cent of the eligible costs. Loan insurance, which helps to facilitate the availability of funds at reasonable terms and conditions, can

be provided for 90 per cent of a term loan for a one per cent annual fee.

Enterprise Development Program projects generally include one or more of the following elements:

- i) proposal preparation:
 - a) shared costs for the development of relatively complex proposals that are expected to lead to a substantial Enterprise Development Program project;
 - b) shared costs for market studies that are part of or are expected to lead to a substantial Enterprise Development Program project.
- ii) shared cost projects:
 - a) productivity improvement studies;
 - b) innovation projects for new or improved products or processes and
 - c) industrial design.
- iii) term loan insurance for adjustment projects:
 - a) modernization or expansion of production systems including acquisition of plant and equipment;
 - b) working capital;
 - c) mergers and acquisitions.

Eligibility for Assistance

Eligibility for the Enterprise Development Program varies somewhat depending on the project

and the form of assistance required. Eligibility generally includes:

- i) the viability of the project and the firm;
- ii) the firm's need for Enterprise Development Program assistance; and
- iii) type of industry.

It is intended that the Enterprise Development Program should not support firms that have adequate financial resources to readily carry out a project on their own. For shared cost projects, the project and its implementation generally must represent a significant burden on the resources of the firm. For loan insurance, the firm must be unable to obtain debt financing elsewhere on reasonable terms and conditions. Normally firms seeking loan insurance will have approached other lenders, such as the Federal Business Development Bank, before applying to the Enterprise Development Program.

Recognizing the importance of exports to the growth of the economy and employment, manufacturing and processing firms are generally eligible for all aspects of the Enterprise Development Program. Firms in the service sector are not eligible for loan guarantees unless the proposed project will provide direct, tangible and significant benefit to

firms engaged in manufacturing or processing.

Applicants for innovation or design assistance must be incorporated. It is not necessary to be incorporated to be eligible for other forms of assistance, although it is considered highly desirable.

Application for Assistance

At the initial stages of the application process, a firm must provide a brief description of the proposed project, estimates of costs, proposed financing, and audited financial statements for the last three years. At subsequent stages a more detailed analysis including projected costs and revenues for the project and for the firm will be prepared by the company and an Industry, Trade and Commerce Officer for submission to the Enterprise Development Program Board.

More information on the Enterprise Development Program may be obtained by contacting:

Programs Branch
The Department of Industry, Trade and
Commerce
Ottawa, Ontario
K1A 0H5

or the nearest Department of Industry, Trade and Commerce regional office. (See Appendix A).

SMALL BUSINESSES LOANS

Under the revised Small Businesses Loans Act (SBLA) a loan guarantee is available to new and existing small business enterprises engaged in manufacturing, wholesale or retail trade, service businesses, construction, transportation, and communications.

Small businesses engaged in finance or the business of a profession and non-profit organizations are not eligible for SBLA loans.

SBLA loans are available for:

- The purchase of fixed or movable equipment, including the cost of installation of fixed equipment, and the renovation, improvement or modernization of equipment where this is appropriate.
- The purchase or construction of new premises or the improvement or modernization of existing premises in which the business is carried on or about to be carried on.
- The purchase of land for the operation of a business, including the purchase of buildings thereon.

Refinancing of existing debts or working capital requirements are not eligible for financing under the SBLA.

All chartered banks and Alberta treasury branches are authorized to make small business loans under the provisions of the Small Businesses Loans Act. In addition, loans may be made by credit unions, caisses populaires or other co-operative societies, trust companies, loan companies and insurance companies which have applied and have been designated as lenders under the Act.

Small business enterprises seeking assistance under the Small Businesses Loans Act should discuss their financial requirements with their banker or other financial adviser who can advise how their particular credit needs can be arranged.

Application forms are available from any eligible lender.

Further information on the Small Businesses Loans Act is available from:

Minister of State for Small Business
Ottawa, Canada
K1A 0H5
or
Programs Branch
Department of Industry, Trade and Commerce
Ottawa, Canada
K1A 0H5

PROGRAM FOR EXPORT MARKET DEVELOPMENT (PEMD)

The objective of the Program for Export Market Development is to encourage and assist established Canadian suppliers of goods and services to enter new export markets or to undertake additional export development activities. By sharing the costs incurred, PEMD reduces the risks to the supplier.

Incentives offered under PEMD are in the form of financial contributions where there is: a proven need to share the risk of developing and/or maintaining overseas markets; bidding on capital projects of unusual size or complexity; unusual international competition; or a need to create an export consortium to meet sales opportunities abroad. These contributions are repayable to the government if export sales are achieved. Repayment is not required if sales or contracts are not obtained.

The program is divided into five sections representing a range of activities aimed at the exploitation of export opportunities.

Section A: Participation in Capital Projects Abroad:

to encourage suppliers of Canadian goods and services to participate in major international projects, such as the design, construction and equipment supply for industrial power plants, hotels, airports and harbour facilities. This section applies anywhere outside Canada.

Section B: Market Identification or Adjustment:

to encourage identification of new markets for Canadian goods and services, through visits by businessmen to new market areas of interest

in order to investigate and assess chances for effective market penetration. This section applies anywhere outside Canada and the continental United States.

Section C: Participation in Trade Fairs Outside Canada:

to encourage participation in trade fairs and industrial exhibitions outside Canada where the department does not have a group exhibit.

Section D: Incoming Buyers:

to encourage Canadian firms to invite to Canada, or an approved location abroad, overseas personnel with purchasing influence.

Section E: Export Consortium Assistance:

to improve the export performance of Canadian manufacturers, particularly small and medium-sized firms, by encouraging the formation and use of group marketing efforts through export consortia of compatible firms, to participate in a joint approach to foreign markets. This section applies anywhere outside Canada.

Additional information is available from the Department of Industry, Trade and Commerce regional offices across Canada (see Appendix A), or from:

The PEMD Office
Programs Branch
The Department of Industry, Trade and
Commerce
Ottawa, Ontario
K1A 0H5

PROMOTIONAL PROJECTS PROGRAM (PPP)

This program includes a wide variety of trade promotion techniques in three general categories: trade fairs outside Canada; incoming and outgoing trade missions; and trade visitors (including incoming buyers and export-oriented training). PPP differs from PEMD in that PEMD reacts to individual company requests for market support, whereas PPP supports initiatives within the department to fulfill its export development responsibilities.

Trade Fairs Abroad

The federal Department of Industry, Trade and Commerce sponsors and organizes participa-

tion by Canadian firms in trade fairs abroad and co-ordinates design, construction, erection and operation of the exhibits. The objective is to provide Canadians with opportunities to display their products or services to the business community and consumers in overseas markets.

In recent years emphasis has been on vertical international fairs with product and commercial specialization, as opposed to horizontal fairs to which the general public is admitted. As a result, participation is usually limited to a specific industry sector.

Solo exhibitions abroad are undertaken by the department when it is felt that a special Canadian

exposition in a foreign country would enhance Canada's export position.

In-store promotions may also be sponsored at point of sale for consumer products, and sample shows are held where appropriate.

In each case, the department provides a complete exhibition service, the cost of which is shared with the participants.

Trade Missions

Participation in department-sponsored trade missions is by special invitation of the Minister of Industry, Trade and Commerce or his delegate. Each trade mission has a clearly defined trade objective and mission members are selected to best attain that objective. One of the responsibilities associated with participation in outgoing missions is that the members will contribute to a report which is made available to the industry at large.

Outgoing missions, often led by the Minister or other senior official of the Department of Industry, Trade and Commerce, are organized to achieve special trade objectives such as the negotiation of trading agreements or reduction of trade barriers. Incoming missions usually serve as follow-ups to outgoing missions, or to improve contacts with potential foreign buyers.

Some outgoing missions are highly specialized, focusing on a single industry or product group. In these cases, the department sponsors small groups of Canadian businessmen going abroad to conduct in-depth market reconnaissance or to examine foreign production technology. Some outgoing missions take the form of seminars in foreign countries to introduce specialized technology or services

available from Canada.

Trade Visitors

Under this segment of the Promotional Projects Program, the Department of Industry, Trade and Commerce invites influential foreign representatives from both business and government to examine Canadian products and industrial capability. Visits are also arranged to export-oriented trade fairs and exhibitions being held in Canada.

Under the Export-Oriented Training Plan section (EOTP) of the trade visitors activity, the department pays travel expenses for technical trainees coming to Canada when those trainees are employees of potential customers or otherwise in a position to influence sales of Canadian products abroad.

Selection of Participants

Decisions on which companies are invited to participate in PPP projects are based on a number of criteria which reflect both the department's objectives and the ability of the company to service the market. Companies which are interested in specific export markets should notify the appropriate industry sector branch within the department. Details on promotional activity can be obtained from:

The Promotional Projects Branch
Department of Industry, Trade and
Commerce
Ottawa, Ontario
K1A 0H5

or the nearest Industry, Trade and Commerce regional office (see Appendix A).

THE MACHINERY PROGRAM (MACH)

The Machinery Remission Program relates to tariff items 42700-1 (general machinery), 42701-1 (compression sets and electricity generating sets) and 41100-1 (sawmill and logging machinery), which cover the majority of machinery and equipment used by secondary industry. It provides for the remission of duty on machinery classifiable under those tariff items when the machinery being imported is not manufactured in Canada, and it is in the public interest to do so. The primary objective of providing for remission of duty in this way is to encourage the development of efficient industry by allowing users of machinery to acquire capital equipment at the lowest possible cost, while enabling Canadian machinery producers to obtain maximum protection from the tariff for the products they manufacture.

Importers of machinery who wish to deter-

mine their eligibility for remission of duty should make a formal application to the Machinery and Equipment Advisory Board. Similarly, Canadian manufacturers of machinery that would be classified under this tariff item if it were imported into Canada should advise the Board what they are manufacturing or are in a position to manufacture in order to insure that they receive the protection to which they are entitled. Application forms, together with pamphlets outlining the conditions under which applications will be considered, are available from local Collectors of Customs and Excise or from:

The Secretary,
Machinery and Equipment Advisory Board
235 Sparks Street
Ottawa, Ontario
K1A 0H5

FASHION DESIGN ASSISTANCE PROGRAM (FDAP)

FASHION/CANADA is a non-profit organization whose membership is composed of representatives from governments and the Canadian fashion industry who share a strong commitment to their national responsibility and who give of their time and energies in the development of programs which enhance the stature of Canadian fashion design at home and abroad.

Its board of directors is elected yearly by the members and is responsible for the development and implementation of the Fashion Design Assistance Program inaugurated by the federal Department of Industry, Trade and Commerce.

The objective of the Fashion Design Assistance Program is to assist the Canadian apparel and textile industries achieve a more competitive position in domestic and world fashion markets by:

- 1) advancing the development of Canadian fashion design talent and strengthening the innovative fashion design potential in the Canadian apparel and textile industries;
- 2) promoting recognition of Canadian designers and the acceptance of Canadian

fashion design in domestic and international markets.

The designer development components are directed toward the training of designers and increasing designer acceptance in the industry work force. Internship grants for graduates of Canadian fashion design schools for a period of one year in industry, on-the-job-training for pre-graduates, and grants for fashion designers in industry to upgrade skills and knowledge, are three of the most important components of this project.

Design/designer promotional projects are undertaken in the form of cost sharing programs with fashion industry groups or provinces to increase the recognition and identification of good Canadian design and of talented, well trained Canadian fashion designers.

Further information may be obtained by writing to:

The Fashion Office
Department of Industry, Trade and Commerce
Ottawa, Ontario
K1A 0H5

MISCELLANEOUS

There are a number of other programs of limited application which may be of interest to specialized industries. These include the Shipbuilding Industry Assistance Program (SIAP); the Grains and Oilseeds Marketing Incentives Program (GOMI); and the Agricultural and Food Products Market Development Assistance Program (AGMAP).

Details are available from:

The Department of Industry, Trade and Commerce
Ottawa, Ontario
K1A 0H5

or from any Industry, Trade and Commerce regional office across Canada (see Appendix A).

FEDERAL SALES TAX EXEMPTIONS

The Excise Tax Act contains a number of provisions for tax relief to Canadian manufacturers and producers. A description of these will be found in the booklet in this series entitled "Taxation — Sales, Excise, Commodity", but, briefly, the following materials are exempt:

- (a) partly manufactured goods changing hands for further processing;
- (b) production equipment;

- (c) pollution control equipment;
- (d) processing materials, excluding grease, lubricating oils, and fuel for use in internal combustion engines;
- (e) plans, drawings, and related specifications for use in the manufacture or production of goods or in the control of pollutants.

Full details on Excise Tax exemptions may be obtained from any District Excise Office.

CUSTOMS INCENTIVES

Canadian customs legislation contains a number of concessions favourable to domestic manufacturing activity. It should be noted, however, that duty concessions are not granted strictly on the

basis that a firm is becoming established in Canada or is undertaking new manufacturing activity.

Outlined below are some of the major customs incentives of interest to manufacturers. For

details on any of these measures, interested firms should get in touch with the appropriate regional office, Department of National Revenue, as indicated in the Canadian Customs Duties chapter of this series.

Tariff Relief — Manufacturers

The Customs Tariff contains a number of items providing for the duty-free entry of articles and materials to be used exclusively in the manufacture of certain merchandise in Canada. These items are intended to encourage processing operations in Canada. Also, the Minister of Finance may authorize certain reductions in duty by establishment of temporary tariff items. They remain temporary for varying periods of time and, if warranted, can become statutory. It should be stressed that materials imported under such duty-free conditions, or at reduced rates of duty, are to be used exclusively in the manufacture of specified products.

Dies, Moulds

Authority may be obtained to import into Canada, on a temporary basis for a maximum period of 12 months, plant equipment such as dies, moulds, patterns and related jigs and fixtures, paying duty on the basis of one-sixtieth of the value of the goods for each month or part of a month they remain in Canada subject to a minimum payment of \$25 per entry. This measure is intended to alleviate the high cost of duplicating such equipment for limited production runs and encourages higher Canadian content in the finished product. The regulations governing such temporary entry allow Collectors of Customs at ports of entry to authorize the temporary importation of such plant equipment rather than having to refer each case to Ottawa for approval.

Duty Drawbacks

Schedule B of the Customs Tariff contains a number of drawback items that permit the return of duty when certain imported parts, materials, machinery or equipment are used in Canada for specified purposes.

In addition, the export drawback regulations provide the opportunity for Canadian manufacturers to recover 99 per cent of the customs

duties paid on imported parts and materials used or consumed in the manufacture of Canadian goods exported. There are also provisions for drawback when imported goods are exported from Canada either to the country from which the goods were imported or to a third country.

One part of the export drawback regulations may be of particular interest to Canadian manufacturers using both imported and domestic materials of the same class in the production of goods for both the domestic and export markets. In order to avoid maintaining segregated stocks of imported and domestic materials for duty drawback purposes, the manufacturer may recover duty paid on the imported material in quantity sufficient to produce the exported goods provided such imported material was used in the plant within the 12-month period immediately preceding the manufacture of the exported goods.

The services of drawback officers are available at regional drawback offices located across Canada.

Semi-manufactured Goods

Generally, a manufacturer who uses imported semi-manufactured goods or production components in his operation can receive the benefit of a lower value for duty based on the extent of work done in Canada.

Finished goods exported to Canada in a knocked-down condition requiring minor assembling or minor packaging, and possibly labelling, receive only partial benefit. However, in the case of semi-manufactured goods or production components, the value for duty is based on the factory cost (i.e. material, direct labour and factory overhead only) in the country of export plus a percentage advance. The advance is calculated by means of a formula that lowers the percentage in proportion to the amount of work to be performed in Canada. A significant saving can be realized if the Canadian content is high.

Further information and rulings concerning the value for duty of semi-manufactured material or any other imported goods can be obtained from:

The Department of National Revenue
Ottawa, Ontario
K1A 0H5

Valuation rulings are not available from the regional offices.

INCENTIVE FOR CANADIAN OWNERSHIP

Dividend Payments

Dividends paid or credited to a non-resident shareholder are subject to a rate of tax of 25 per cent except for shareholders resident in those countries with which Canada has concluded a tax treaty. In such cases the treaty rates apply. Most of Canada's existing tax treaties provide a 15 per

cent maximum rate of withholding tax on dividends, interest and royalties. However, the tax on dividends is reduced to 15 per cent (20 per cent in treaty circumstances) if the corporation declaring the dividend has a "degree of Canadian ownership" as that expression is defined in Appendix D.

THE FEDERAL BUSINESS DEVELOPMENT BANK (FBDB)

The Federal Business Development Bank assists the growth and creation of business enterprises across Canada by providing them with financial and management services. It supplements such services available from other sources and gives particular attention to the needs of smaller enterprises.

Financial Services

The FBDB extends financial assistance to new or existing businesses of almost every type in Canada which do not have other sources of financing available to them on reasonable terms and conditions.

The qualifications for FBDB financing are:

- a) that the amount and character of investment in such a business by persons other than the FBDB may reasonably be expected to ensure the continuing commitment of these persons to the business, and
- b) that the business may reasonably be expected to prove successful.

FBDB financing is available by means of loans, loan guarantees, equity financing, leasing, or by any combination of these methods, in whatever manner best suits the particular needs of the business. Where loans are involved they are made at interest rates which are in line with those generally available to businesses. Security is usually in the form of a first charge on fixed assets. Where equity is involved, FBDB normally takes a minority interest and is prepared to have its investment repurchased on suitable terms.

Most customers of the bank use FBDB funds to acquire land, buildings, or equipment. Others use them to strengthen the working capital of a business, to establish a new business, for metric conversion, and for other purposes.

FBDB financing ranges from a few thousand dollars upwards. Most loans are for \$100,000 or less. About half are for \$25,000 or less, and the average loan size is around \$45,000.

Management Services

In addition to its financial services, FBDB provides management counselling, management training, and information services.

a) Management Counselling (CASE)

The FBDB management counselling service, known as CASE (Counselling Assistance to Small Enterprises), assists small businesses in Canada to improve their methods of doing business. This service supplements counselling services obtainable from the private sector and is performed by CASE counsellors who are retired business people selected for their management experience.

Any type of business enterprise can apply for this counselling service provided that it does not have more than 75 full-time employees and that it has had prior discussion of its plans with its appropriate business advisers. The cost to the business is \$20.00 per day for each counsellor assigned and the Bank pays the counsellors travelling expenses. A CASE counsellor will visit the client's place of business, study the operation, and recommend action to be taken. The counsellor will make a report to the client and on request, will assist in the implementation of his recommendations.

b) Management Training

To help improve management skills in small Canadian businesses the bank conducts management training seminars, at a moderate registration fee, in cities and towns across Canada. These seminars are planned to meet the needs of owners and managers of small businesses.

The FBDB also develops management training courses and distributes them to provincial and territorial education authorities for their use.

c) **Information Services**

The FBDB publishes booklets on a wide range of topics pertaining to the management of a small business in Canada. It distributes a bulletin featuring business developments, and at its branch offices maintains reference libraries with a variety of publications on small business management. These can be obtained free or at a low cost from their publishers.

At FBDB branch offices, operators of

small businesses can obtain information about assistance programs for business available from the federal government, and others, and are directed to representatives of appropriate assistance programs.

Further information concerning the services of the Federal Business Development Bank may be obtained at any of the branch offices of the bank located across Canada (see Appendix C).

APPENDIX A

THE DEPARTMENT OF INDUSTRY, TRADE AND COMMERCE – REGIONAL OFFICES AND BUSINESS CENTRE

NEWFOUNDLAND

Newfoundland Region
210 Water Street
St. John's, Newfoundland
A1C 1A9

NOVA SCOTIA

Nova Scotia Region
Suite 1124, Duke Tower
5251 Duke Street, Scotia Square
Halifax, Nova Scotia
B3J 1N9

PRINCE EDWARD ISLAND

Prince Edward Island Region
P.O. Box 2289
Dominion Building, 97 Queen Street
Charlottetown, Prince Edward Island
C1A 8C1

NEW BRUNSWICK

New Brunswick Region
Suite 642, 440 King Street
Fredericton, New Brunswick
E3B 5H8

QUÉBEC

Québec Region
Room 2124, Place Victoria
P.O. Box 257, Tour de la Bourse
Montréal, Québec
H4Z 1J5

Québec City Office
Suite 620, 2 Place Québec
Québec, Québec
G1R 2B5

ONTARIO

Ontario Region
Commerce Court West, 51st Floor
P.O. Box 325
Toronto, Ontario
M5L 1G1

MANITOBA

Manitoba Region
Suite 1104, Royal Bank Building
220 Portage Avenue
Winnipeg, Manitoba
R3C 0A5

SASKATCHEWAN

Saskatchewan Region
Room 980, 2002 Victoria Avenue
Regina, Saskatchewan
S4P 0R7

ALBERTA AND NORTHWEST TERRITORIES

Alberta and Northwest Territories Region
500 Macdonald Place
9939 Jasper Avenue
Edmonton, Alberta
T5J 2W8

BRITISH COLUMBIA AND YUKON

British Columbia and Yukon Region
P.O. Box 49178, Suite 2743
Bentall Centre, Tower III
595 Burrard Street
Vancouver, British Columbia
V7X 1K8

INDUSTRY, TRADE AND COMMERCE BUSINESS CENTRE

A toll-free call from anywhere in Canada will put you in touch with the Business Centre, maintained by the Department of Industry, Trade and Commerce specifically to provide information and advice on Government of Canada programs affecting your business. Ask your long distance operator for

ZENITH 0-3200

THE BUSINESS CENTRE is located at:

Level 01 (Central area)
235 Queen Street
Ottawa, Ontario
K1A 0H5
Tel: 995-5771
Telex: 053-4123

APPENDIX B

DEPARTMENT OF REGIONAL ECONOMIC EXPANSION REGIONAL OFFICES

Atlantic Region	REGIONAL OFFICE	Prince Edward Island:	New Brunswick:
	Director of Incentives Department of Regional Economic Expansion 11th floor Assomption Building 770 Main Street P.O. Box 1210 Moncton, New Brunswick E1C 8P9	Manager, Incentives Department of Regional Economic Expansion Dominion Building 97 Queen Street P.O. Box 1115 Charlottetown, P.E.I. C1A 7M8	Manager, Incentives Department of Regional Economic Expansion Armstrong Building 590 Brunswick Street P.O. Box 578 Fredericton, New Brunswick E3B 5A6
	PROVINCIAL OFFICES		
	Newfoundland:	Nova Scotia:	BRANCH OFFICE
	Manager, Incentives Department of Regional Economic Expansion Ashley Building Peet Street P.O. Box 8950 St. John's, Newfoundland A1B 3R9	Manager, Incentives Department of Regional Economic Expansion Centennial Building 4th floor 1660 Hollis Street Halifax, Nova Scotia B3J 1V7	Manager, Incentives Department of Regional Economic Expansion Keystone Place 270 Douglas Avenue Bathurst, New Brunswick E2A 3Z6
Quebec Region	REGIONAL OFFICE	PROVINCIAL OFFICE	
	Director of Incentives Department of Regional Economic Expansion Room 4328 Stock Exchange Tower 800 Place Victoria P.O. Box 247 Montréal, (Québec) H4Z 1E8	Manager, Incentives Department of Regional Economic Expansion Claridge Building Suite 820 220 est Grande Allée Québec, (Québec) G1R 2J1	
Ontario Region	REGIONAL OFFICE	PROVINCIAL OFFICE	
	Director of Incentives Department of Regional Economic Expansion 5th floor Niagara Building 1300 Yonge Street Toronto, Ontario M4T 1X3	Manager, Incentives Department of Regional Economic Expansion Court Holding Building 233 Court Street South Thunder Bay, Ontario P7B 2X9	

Western Region	REGIONAL OFFICE	PROVINCIAL OFFICES	
	Director of Incentives Department of Regional Economic Expansion 814 Bessborough Tower 601 Spadina Crescent Saskatoon, Saskatchewan S7K 3G8	Manitoba: Manager, Incentives Department of Regional Economic Expansion 400-2 Lakeview Square 185 Carlton Street P.O. Box 981 Winnipeg, Manitoba R3C 2V2	Alberta: Manager, Incentives Department of Regional Economic Expansion Financial Building 10621-100th Avenue Edmonton, Alberta T5J 0B3
NORTHWEST TERRITORIES		Saskatchewan:	British Columbia:
	Manager, Incentives (DREE) 10th Floor, Precambrian Building P.O. Box 6100 Yellowknife, N.W.T. X1A 1C0	Manager, Incentives Department of Regional Economic Expansion 204 Towne Square Building 1919 Rose Street Regina, Saskatchewan	Manager, Incentives Department of Regional Economic Expansion Bank of Commerce Building 1175 Douglas Street Victoria, British Columbia V8W 2E1

APPENDIX C

FEDERAL BUSINESS DEVELOPMENT BANK OFFICES

ATLANTIC REGIONAL OFFICE:

1583 Hollis Street
Halifax, Nova Scotia
B3J 1V4

Branch Offices

ST. JOHN'S
Viking Building
Crosbie Road
St. John's, Newfoundland
A1B 3K4

CORNER BROOK

Corner Brook Plaza
Trans-Canada Highway
Corner Brook, Newfoundland

HALIFAX

Trade Mart
2021 Brunswick Street
Halifax, Nova Scotia
B3K 2Y5

SYDNEY

48-50 Dorchester Street
Sydney, Nova Scotia
B1P 5Z1

TRURO

CN Commerical Centre
34 Esplanade Street
Truro, Nova Scotia
B2N 2K3

SAINT JOHN

75 Prince William Street
Saint John, New Brunswick
E2L 2B2

FREDERICTON

Kings Place Complex
King Street
Fredericton, New Brunswick
E3B 5H8

MONCTON

860 Main Street
Moncton, New Brunswick
E1C 1G2

CHARLOTTETOWN

51 University Avenue
Charlottetown, Prince Edward Island
C1A 4K8

QUEBEC REGIONAL OFFICE:

800 Victoria Square,
Montréal (Québec)
H4Z 1C8

Branch Offices

SEPT-ÎLES
690, boulevard Laure
Sept-Îles (Québec)
G4R 1X9

RIMOUSKI

320 est, rue Saint-Germain
Rimouski (Québec)
G5L 1C2

CHICOUTIMI

475, rue des Champs Elysées
Chicoutimi (Québec)
G7H 5V7

QUÉBEC

925, Chemin Saint-Louis
Québec (Québec)
G1S 1C1

LÉVIS

113 ouest, rue Saint-Georges
Lévis (Québec)
G6V 4L2

TROIS-RIVIÈRES

550, rue Bonaventure
Trois-Rivières (Québec)
G9A 2B5

DRUMMONDVILLE

228, rue Hériot
Drummondville (Québec)
J2C 1K1

SHERBROOKE

1845 ouest, rue King
Sherbrooke (Québec)
J1J 2E4

GRANBY

161, rue Principale
Granby (Québec)
J2G 2V5

LONGUEUIL

101, Place Charles Lemoyne
Longueuil (Québec)
J4K 2T3

VALLEYFIELD

85, rue Champlain
Valleyfield (Québec)
J6T 1W4

VILLE LA SALLE

1550, avenue Dollard
Ville La Salle (Québec)
H8N 1T6

VILLE DE LAVAL

2525, boulevard Marois
Ville de Laval (Québec)
H7T 1S9

MONTREAL

800 Victoria Square
Montréal (Québec)
H4Z 1C8

Place Frontenac

2600 est, rue Ontario
Montréal (Québec)
H2K 4K4

SAINT-LAURENT

750, boulevard Laurentien
Saint-Laurent (Québec)
H4M 2M4

SAINT-LÉONARD

5960 est, rue Jean Talon
Saint-Léonard (Québec)
H1S 1M2

SAINT-JEROME

Galeries des Laurentides
Saint-Antoine des Laurentides (Québec)

ROUYN-NORANDA

147, avenue Mercier
Rouyn (Québec)
J9X 4X4

HULL

295, boulevard St-Joseph
Hull (Québec)
J8Y 3Y5

ONTARIO REGIONAL OFFICE:

250 University Avenue
Toronto, Ontario
M5H 3E5

Branch Offices

OTTAWA

151 Sparks Street
Ottawa, Ontario
K1P 5E3

KINGSTON

797 Princess Street
Kingston, Ontario
K7L 1G1

OSHAWA

22 King Street West
Oshawa, Ontario
L1H 1A3

TORONTO

240 Richmond Street West
Toronto, Ontario
M5V 1V6

ETOBICOKE

Valhalla Executive Centre
302 The East Mall
Islington, Ontario
M9B 6C7

SCARBOROUGH

2978 Eglinton Avenue East
Scarborough, Ontario
M1J 2E7

TORONTO-NORTH

4430 Bathurst Street
Downsview, Ontario
M3H 3S3

BARRIE

70 Collier Street
Barrie, Ontario
L4M 1G8

OAKVILLE

345 Lakeshore Road East
Oakville, Ontario
L6J 1J5

HAMILTON

20 Hughson Street South
Hamilton, Ontario
L8N 2A1

ST. CATHARINES

205 King Street
St. Catharines, Ontario
L2R 3J5

KITCHENER-WATERLOO

305 King Street West
Kitchener, Ontario
N2G 1B9

OWEN SOUND

1139 Second Avenue East
Owen Sound, Ontario
N4K 2J1

PETERBOROUGH

340 George Street North
Peterborough, Ontario
K9H 7E9

LONDON

197 York Street
London, Ontario
N6A 1B2

WOODSTOCK

430 Dundas Street
Woodstock, Ontario

STRATFORD

1036 Ontario Street
Stratford, Ontario
N5A 6Z3

CHATHAM

59 Adelaide Street South
Chatham, Ontario
N7M 4R1

WINDSOR

500 Ouellette Avenue
Windsor, Ontario
N9A 1B3

Northern Ontario District Office:

421 Bay Street,
Sault Ste. Marie, Ontario

SUDBURY

96 Larch Street
Sudbury, Ontario
P3E 1C1

TIMMINS

83 Algonquin Boulevard West
Timmins, Ontario
P4N 2R4

SAULT STE. MARIE

452 Albert Street East
Sault Ste. Marie, Ontario
P6A 2J8

THUNDER BAY

106 Centennial Square
Thunder Bay, Ontario
P7E 1H3

KENORA

20 Main Street South
Kenora, Ontario
P9N 1S7

**PRAIRIE AND NORTHERN REGIONAL
OFFICE:**

161 Portage Avenue
Winnipeg, Manitoba
R3B 0Y4

Branch Offices**WINNIPEG**

386 Broadway
Winnipeg, Manitoba
R3C 3R6

ST. BONIFACE

851 Lagimodiere Boulevard
Winnipeg, Manitoba
R2J 3K4

BRANDON

136 - 11th Street
Brandon, Manitoba

REGINA

2220 - 12th Avenue
Regina, Saskatchewan
S4P 0M8

SASKATOON

1102 CN Towers
Midtown Plaza
Saskatoon, Saskatchewan
S7K 1J5

PRINCE ALBERT

1100 - 1st Avenue East
Prince Albert, Saskatchewan
S6V 3A4

LETHBRIDGE

740 - 4th Avenue South
Lethbridge, Alberta
T1J 0N9

CALGARY

404 Sixth Avenue Southwest
Calgary, Alberta
T2P 0R9

CALGARY SOUTH

5940 Macleod Trail Southwest
Calgary, Alberta
T2H 2G4

RED DEER

4909 Gaetz Avenue
Red Deer, Alberta
T4N 4A7

EDMONTON

10150 - 100th Street
Edmonton, Alberta
T5J 0P6

EDMONTON SOUTH

11044 - 51st Avenue
Edmonton, Alberta
T6H 5B4

YELLOWKNIFE

5010 - 50th Avenue
Yellowknife, Northwest Territories

GRANDE PRAIRIE

10135 - 101st Avenue
Grande Prairie, Alberta
T8V 0Y4

WHITEHORSE

Travelodge
Commercial Mall
Whitehorse, Yukon Territory

BRITISH COLUMBIA REGIONAL OFFICE:

900 West Hastings Street
Vancouver, British Columbia
V6C 1E7

Branch Offices**CRANBROOK**

30 South 11th Avenue
Cranbrook, British Columbia
V1C 2P1

KELOWNA

260 Harvey Avenue
Kelowna, British Columbia
V1Y 7S5

KAMLOOPS

235 First Avenue
Kamloops, British Columbia
V2C 3J4

PRINCE GEORGE

1320 Fifth Avenue
Prince George, British Columbia
V2L 3L5

TERRACE

4548 Lakelse Avenue
Terrace, British Columbia
V8G 1P8

CHILLIWACK

Kamar Plaza
45850 Yale Road West
Chilliwack, British Columbia
V2P 2N9

ABBOTSFORD

2467 Pauline Street
Abbotsford, British Columbia
V2S 3S1

LANGLEY

20136 - 56th Avenue
Langley, British Columbia
V3A 3Y7

NEW WESTMINSTER

765 - 6th Street
New Westminster, British Columbia
V3L 3C8

BURNABY

4240 Manor Street
Burnaby, British Columbia
V5G 3X5

RICHMOND

375-B Shell Road
Richmond, British Columbia
V6X 2W2

VANCOUVER

885 Dunsmuir Street
Vancouver, British Columbia
V6C 1N7

NORTH VANCOUVER

145 West 15th Street
North Vancouver, British Columbia
V7M 1R9

VICTORIA

850 Fort Street
Victoria, British Columbia
V8W 1H8

NANAIMO

190 Wallace Street
Nanaimo, British Columbia
V9R 5B1

CAMPBELL RIVER

906 Island Highway
Campbell River, British Columbia
V9W 2C3

APPENDIX D

DEGREE OF CANADIAN OWNERSHIP

The following is an abridged version of the actual requirements which must be met if a company is to be regarded as having a "degree of Canadian ownership".

1. The company must be a resident of Canada.
2. (a) No less than 25 per cent of the company's issued and outstanding voting shares and no less than 25 per cent of the equity share capital of the company must be owned in Canada (by individuals and/or by Canadian-controlled companies).

OR

- (b) A class or classes of voting shares and a class or classes of equity shares representing no less than 50 per cent of the equity share capital of the company must be listed on a Canadian stock exchange and no more than 75 per cent of the equity share capital, nor more than 75 per cent of the voting shares must be owned abroad by one non-resident person or related persons.
3. At least 25 per cent of the directors of the company must be resident in Canada.

To qualify as having a degree of Canadian ownership in a particular taxation year, a company must have met requirements described above throughout any 60-day period in the 120-day period commencing 60 days before the first day of the year.

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